

Excise Tax Credit for Donations to Qualified Public School Support Organizations

Excise
tax notice
#04-17

Public Chapter 835 (2004)

Effective for all tax years beginning on or after July 1, 2004, Public Chapter 835 amends Tenn. Code Ann. Section 67-4-2006(b)(2) relative to charitable donations to qualified public school support organizations.

Under the provisions of Public Chapter 835, a taxpayer may deduct from net earnings for excise tax purposes 75% of the value of charitable donations made to qualified public school support organizations when the donations meet specified criteria. To qualify for the deduction, the charitable donation must meet the following requirements:

- (1) The donation must be made to a qualified public school support organization, defined as an entity, other than a natural person, that is registered with the Department of Revenue for sales and use tax purposes and whose sole purpose is to promote and enhance Tennessee public schools;
- (2) The qualified public school support organization must certify to the taxpayer that the donation was spent to purchase goods or services subject to Tennessee sales and use tax and that the organization actually paid Tennessee sales or use tax on those purchases. The deduction is only applicable in the tax year in which the qualified public school support organization makes such certification. The taxpayer is responsible for maintaining a copy of the certification to support the deduction taken;
- (3) Donations must be monetary. Donations of goods or services do not qualify for the deduction; and
- (4) The taxpayer making the donation cannot specify a particular child in the school as the beneficiary of the donation.

Qualified public school support organizations receiving such donations must maintain adequate records to prove that the requirements of Public

Chapter 835 have been met, including invoices or other documentation to establish that the donation was used to purchase goods or services subject to Tennessee sales or use tax and that such tax was actually paid.

If the qualified public school support organization falsely certifies to the taxpayer making the donation that the donation was spent and tax paid as required by Public Chapter 835, the qualified public school support organization will be liable for the sales and use tax, including penalties and interest, as if the donation had actually been spent on items subject to Tennessee sales and use tax.

When providing certification to the taxpayer, the qualified public school support organization must provide the following information:

- (1) the amount of the donation;
- (2) the qualified public school support organization's sales tax number;
- (3) the amount of Tennessee sales or use tax paid; and
- (4) a certification signature from an officer of the qualified public school support organization.

A certification form which the qualified public school support organization must provide to the taxpayer once the donation is spent will be provided on the department's Web site. This information will be used to document the taxpayer's entitlement to the deduction.

If you have any questions about this notice, you may contact the department. Tennessee residents outside the Nashville calling area may call our statewide toll-free number at (800) 342-1003. Callers from Nashville or out-of-state may dial (615) 253-0600. You can access additional information on our Web site at www.Tennessee.gov/revenue.

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